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May 2, 2008

OUR FILE NO.: 3489-51

Hon. Lourdes G. Baird (Ret.)  
360 California Terrace  
Pasadena, CA, 91105

Hon. Charles S. Vogel (Ret.)  
326 S. Bentley Ave.  
Los Angeles, CA 90049

Hon. Steven J. Stone (Ret.)  
31589 Saddletree Drive  
Westlake Village, CA 91361

Re: Northrop Grumman Corp. v. Factory Mutual Insurance Co.  
Mock Appeal Oral Argument – June 18, 2008

Dear Judge Baird, Judge Vogel and Judge Stone:

We are delighted that you are available to participate in the mock oral argument in the matter of *Northrop Grumman v. Factory Mutual Insurance Co.* on Wednesday, June 18. This letter will provide a bit of background, as well as let you know what we are hoping to learn from the mock argument to assist you in your preparation.

Northrop is a global defense contractor. Its shipyards located on the Gulf Coast, including buildings and equipment, were damaged by Hurricane Katrina's storm surge in 2005. Northrop made a claim for property damage and business interruption losses which it anticipated would exceed the \$500 million primary layer and trigger Factory Mutual's excess layer above \$500 million. The parties filed cross-motions for summary judgment as to whether Northrop's claimed losses were excluded by the Factory Mutual excess policy's flood exclusion. The District Court (Hon. Dean Pregerson) granted Northrop's motion and denied Factory Mutual's motion, finding that the flood exclusion was ambiguous and the losses would therefore be covered (a copy of the decision is enclosed.) Factory Mutual has filed an appeal in the Ninth Circuit, and it is this appeal which is the subject of the mock argument.

Factory Mutual's objective in undergoing the exercise of a mock argument is to get your valuable feedback on Factory Mutual's presentation of arguments, brainstorm whether there are stronger arguments or better ways to present existing arguments, ferret out weaknesses in its position, and engage in mock questioning. It is less important for us to

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get a "decision" from you than to hear what you think of our presentation and your suggestions for improving it.

We will be providing you with the policies and the parties' briefs on appeal as soon as briefing is complete later this month. Needless to say, there is an enormous volume of material in the record, and we are happy to send you any additional materials you feel would assist your review upon request. We would anticipate you spending somewhere in the range of 20 hours reviewing these materials in preparation for the mock argument.

Please feel free to contact me if you have any questions or concerns about any of the foregoing.

Very truly yours,



Joyce C. Wang  
Enclosure

cc: Donald W. Carlson, Esq.  
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Jonathan Mishara, Esq.

Elsa Montoya (JAMS)